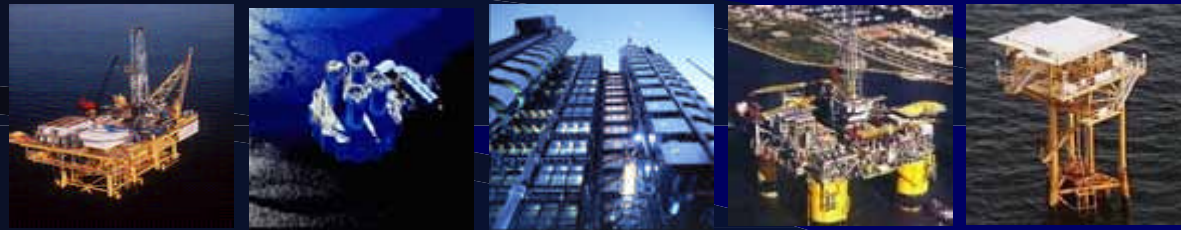


Gulf of Mexico – Is It Insurable?

27th February 2009



Dominick Hoare
Watkins Syndicate, Lloyd's

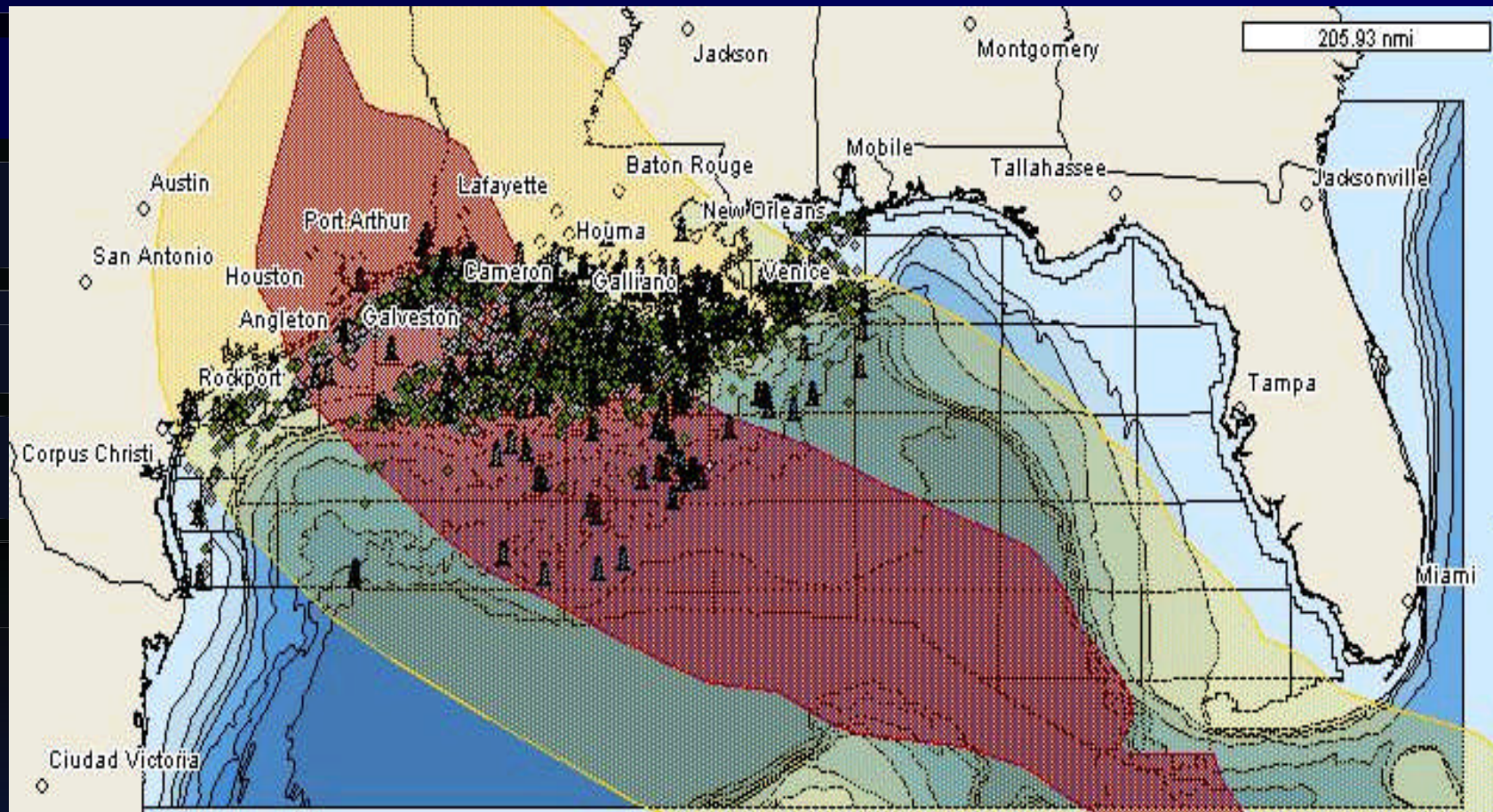
Watkins Syndicate

Overview

- Hurricane Ike was the ninth named storm and the fifth hurricane of the 2008 Atlantic hurricane season
- It was a Cape Verde type hurricane starting as a tropical disturbance off the coast of Africa
- The highest wind speed recorded was 145 mph being a category 4 hurricane over Turks and Caicos, however this dropped to 110 mph being a category 2 once it was in the Gulf of Mexico
- It produced hurricane winds over a 125 mile radius and tropical storm winds in a 255 mile radius
- Over the oil patch it moved at a speed of 10 miles per hour and produced 30 foot waves over 90 miles from the eye

Watkins Syndicate

Hurricane Ike Wind Field



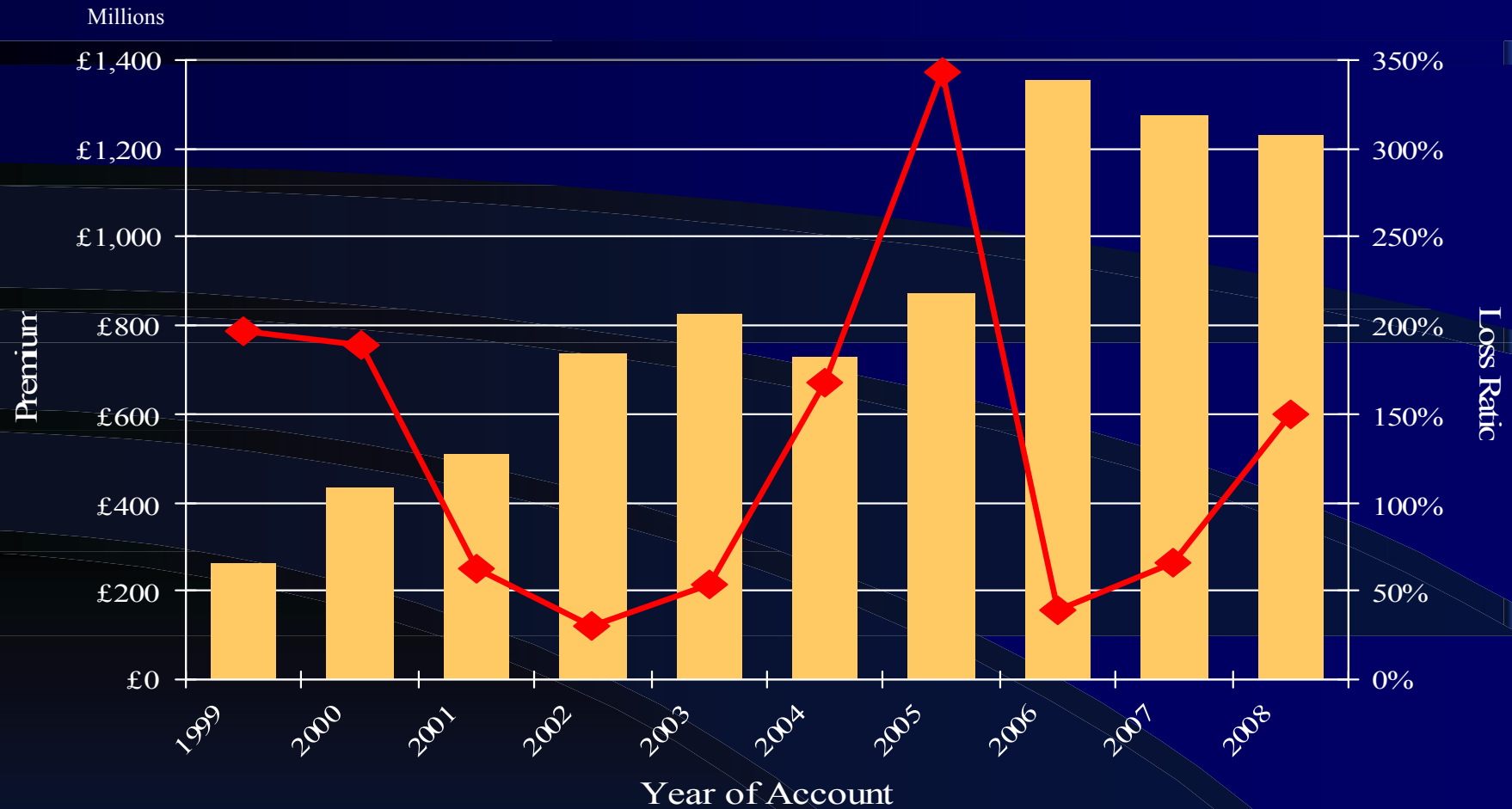
Watkins Syndicate

Hurricane Ivan v. Hurricane Katrina v. Hurricane Rita v. Hurricane Ike

	Ivan	Katrina	Rita	Ike
Saffir Simpson	Cat 4	Cat 5	Cat 4	Cat 2
Hurricane Severity Index	33	47	42	36
Integrated Kinetic Energy	4.4	5.1	4.3	5.2
No. of Platforms Destroyed	7	46	69	54
No. of Platforms Damaged	24	20	32	95
Commercial Market Loss	USD1,250m	USD3,000m	USD3,500m	USD3,000m

Watkins Syndicate

Offshore Energy Insurance Lloyd's Portfolio Performance - Ultimates

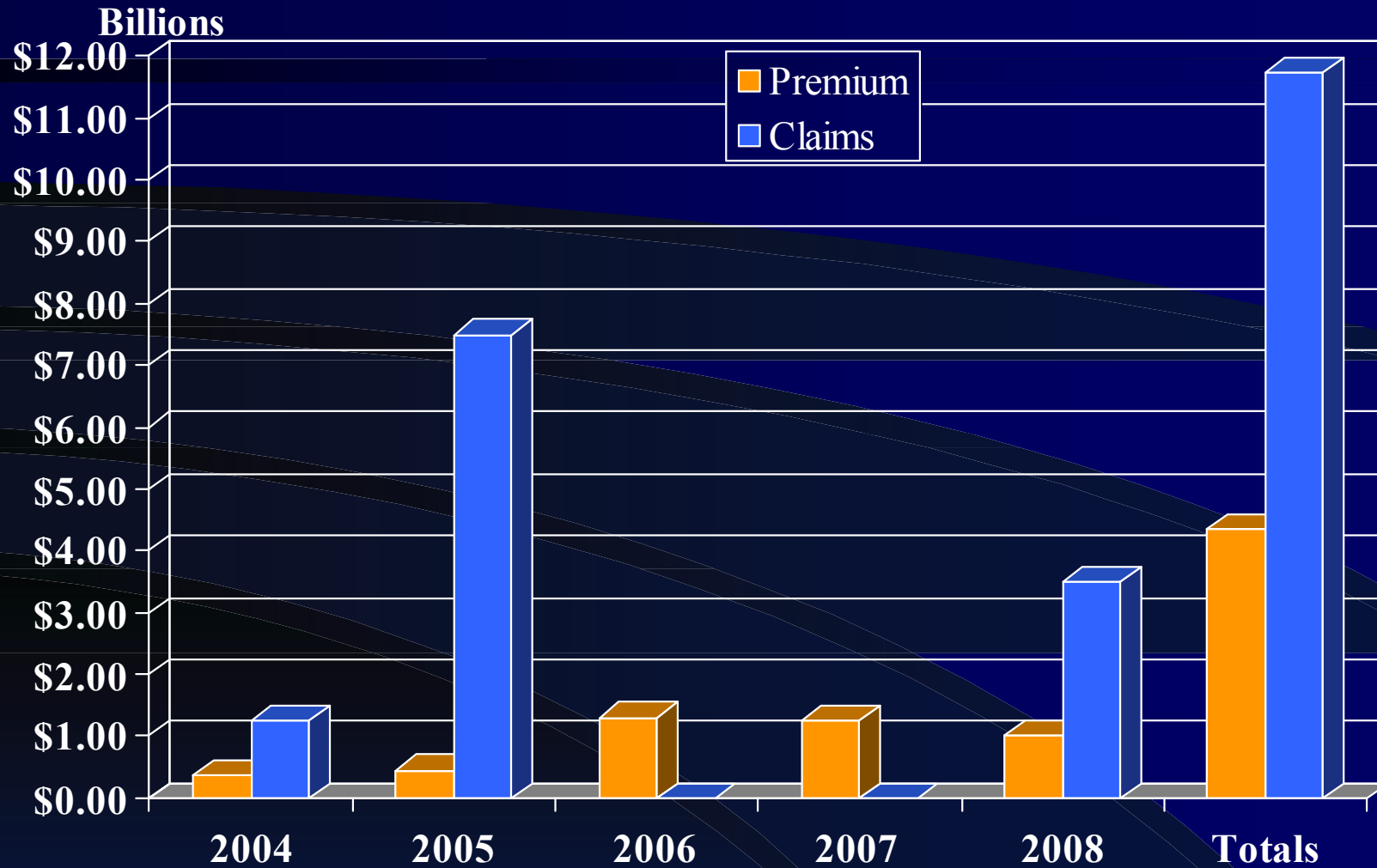


Lloyd's Risk Codes ET/EW
Net of Acquisition Costs

Watkins Syndicate

Loss Ratios – Last 10 Years: 119%; Last 5 Years: 136%

Gulf of Mexico Premium v. Claims



Watkins Syndicate

Hurricane Ike – Market Performance Analysis

	Market
Ike Forecast	USD 3,000m
2008 Premium	USD 900m
2008 Aggregate	USD 10,000m
Ike % of Premium	333%
Ike % of Aggregate	30%

Watkins Syndicate

Energy Account 2009 Assumptions

Hurricane Ike

Assured Retained USD 900m	OIL USD 750m
Commercial Loss USD 3,000m	
Assured Retained USD 600m	

Income USD 900m



"As If" Hurricane Ike

Assured Retained and/or Not insured USD 900m	OIL USD 750m
Commercial Loss USD 1,100m	
Assured Retained USD 2,500m	

Income USD 1,800m



Watkins Syndicate

Estimated Market Key Metrics

	2008	2009 Estimated
Aggregate	USD 10,000m	USD 7,500m
Premium	USD 900m	USD 1,800m
Risk Losses	USD 250m	USD 250m
Ike	USD 3,000m	USD 1,000m

Watkins Syndicate

2009 Market Premium Forecast

	2009
Risk	USD 450m
Physical Damage Catastrophe	USD 550m
Control of Well Catastrophe	USD 720m
Other Catastrophe	USD 80m
Total	USD 1,800m

Watkins Syndicate

Market Underwriting Strategy

- Substantial increase in windstorm retentions
- Significant reduction in windstorm limits
- Increase base premium (risk and catastrophe) by 100%
- Scheduled well sublimits for windstorm perils
- Structured account by account approach to ensure differentiation
- Ensure value to buyers is maintained

Watkins Syndicate

Market Exposure Base

- Scheduled property assets
- Scheduled per well limits
- Creation of transparent exposure base
- Concept of total insured values (TIV) created
- Provides foundation for product
- More effective capital allocation

Watkins Syndicate

Market Retention Structure

- Significant increase
- Between 2.5% and 5% of TIV
- Accommodates acquisition/divestments
- Allows flexible but consistent approach

Watkins Syndicate

Market Limit Structure

- Reduction in overall available limit
- Base limit is a consistent relationship with base retention
- Still considerable cover available for a “Super Ike”
- Multiple windstorm event cover still provided in base limit

Watkins Syndicate

Market Coverage Structure

- Essentially unchanged other than for Control of Well (windstorm perils)
- An agreed scheduled value for each well based on redrill, making well safe coverage, plugging and abandonment
- Well schedule still subject to overall control of well limit and overall windstorm limit thereafter.
- Physical damage rating concept then applied, rather than a USD per foot drilled.

Watkins Syndicate

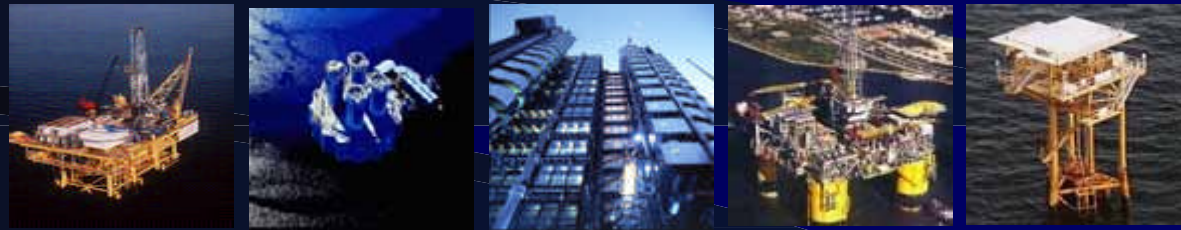
2009 Gulf of Mexico Conclusion

- Structured and disciplined approach to achieve 2009 targets
- Fundamental and critical changes from 2008
- Sustainable insurance product
- Product still provides considerable value to buyers
- Gross performance targets not net performance targets
- Gulf of Mexico is insurable

Watkins Syndicate

Gulf of Mexico – Is It Insurable?

27th February 2009



Dominick Hoare
Watkins Syndicate, Lloyd's

Watkins Syndicate